A WORK PROJECT, PRESENTED AS PART OF THE REQUIREMENTS FOR THE AWARD OF A MASTER DEGREE IN MANAGEMENT FROM THE NOVA SCHOOL OF BUSINESS AND ECONOMICS.

RE-EVALUATION OF CENTRAL AMERICA DRUG MARKET

WHERE TO START?

AN INTERNATIONALIZATION ANALYSIS

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Abstract

Atral is a Portuguese Pharmaceutical firm devoted to the production of finished drugs. Due to domestic market hurdles, Atral is now, more than ever, focused in the world. The Central America region seams alluring due to its context alignment with firm's resources bundle. As Atral should approach one regional country at a time, the purpose of this thesis is to find out the most suitable country to approach now. Hence a tailored scoring model was applied, based on contexts analysis and importance of benchmarking indicators to both firm and industry. Upon analysis of the highest scored country, the most appropriate entry modes were assessed.

Key-words: Central America; Internationalization; Pharmaceutical Industry; Panama

Introduction

Laboratórios Atral (Atral) is a company member of an integrated chemical-pharmaceutical Portuguese Group, named AtralCipan (Appendix I (a)). Atralcipan, with a consolidated turnover of €37.3 mn in 2014[1], comprises three firms: Cipan[2] (39.8% of consolidated turnover), Atral (54.7% of consolidated turnover) and Pharbal (5.5% of consolidated turnover). The Group is devoted to the production and commercialization of raw materials (Cipan) and finalized drugs (Atral and Pharbal[3]).

Atral is an internationalized firm from inception. Due to domestic market hurdles (saturation, high competition, fragmentation) and a generalized expansive attitude of firms towards a single, borderless global marketplace, the firm is more than ever focused in consolidating its international position. Although abandoned in 2005, due to domestic penetration by generics[4], Central America (CA), has once again been identified by Atral as a region with significant potential. Mainly due to generics poor penetration, as competitors are focused in pharmerging countries[5], there is an opportunity in this familiar market. In this sense, the work project starts its analysis by a state of the

[1] All non-mentioned dates throughout this work correspond to 2014 unless otherwise mentioned.

[2] Atral holds 51.1% of Cipan's capital share.

[3] Pharbal is a sales subsidiary in Peru.

[4] Generics (unbranded or branded generics) are drugs generally intended to be interchangeable with an innovator drug. They are produced without a license from the innovator firm and marketed after the expiry date of the patent or other exclusive rights (Gupta and Nayak 2015).

[5] Pharmerging countries are developing geographies where consumption of pharmaceuticals is rapidly growing.

art of SMEs internationalization theories, and identification of Atral's internationalization strategy. It is followed by an appraisal of firm's internal capabilities and global external context. Then a tailored scoring model is applied to the seven CA nations - Panama, Costa Rica, Nicaragua, Honduras, El Salvador, Belize and Guatemala. The highest scored country was then thoroughly analysed. In the end, appropriate entry modes are assessed and suggestions for the success of this internationalization strategy are presented.

Methodology

The methodology employed in the present strategic internationalization plan aims at a wide and comprehensive analysis of the external and internal contexts of the firm, and targeted foreign markets. A hybrid data collection approach was employed: first hand interviews to firm representatives, together with a thorough bibliographic research were executed. In order to fully understand firm's internal dynamics, essential data was collected interviewing the heads of all firm departments, including one member of the Administration Board. In contrast, for cross-country data collection, data was gathered from worldwide data banks, countries' statistical websites and publications held by consultancy companies and official institutions. Moreover, not only sector-specific and general business articles and websites, but also strategy and international business books were consulted.

Literature Review - Theories on Internationalization of SMEs

Internationalization is "*the process of adapting firms operations (strategy, structure, resources, etc.) to international environments*" (J. Johanson and Mattsson 1993). Mainly over the past twenty years, an intensive growth on the research regarding companies' internationalization, particularly the one directed by SMEs, has been a reality (Saeedi, Dadfar, and Brege 2012; Sandberg 2012). This later type of internationalization can be analysed through four main perspectives: (1) Stage; (2) Network; (3) International Entrepreneurship (IE); and (4) resource-based (RBV) perspectives. RBV in contrast to the first two approaches does not neglect the strategic view of decision-makers (Ruzzier, Hisrich, and Antoncic 2006). Regarding the Stage/Behavioral approach to the internationalization process, there are essentially two main models: the Uppsala Internationalization Model (U-model); and the Innovation-related Model (I-model). The U-model (Johanson & Vahlne (1977, 1990) is built upon the behavioral theory of the firm (Cyert and March 1963) and the theory of knowledge and change in firms (Penrose 1959). It depicts the internationalization process as one characterized by progressive learning (Jan Johanson and Vahlne 1977) in a synergic cycle between market knowledge, commitment decisions, current activities and market commitment (dynamic model) (Jan Johanson and Vahlne 2009). The gradually procured, and then integrated, knowledge in external markets is applied as input for the decision-making process, making internationalization the outcome of many cumulative decisions, that in turn reflect resources commitment (Ruzzier, Hisrich, and Antoncic 2006; J. Johanson and Vahlne 1990). *Psychic Distance*[6] also determines internationalization: firms elect external markets culturally closer to domestic market (Jan Johanson and Vahlne 2009). On the other hand the I-Model (Bilkey and Tesar 1977; Cavusgil 1980; Reid 1981; Czinkota 1982) acknowledges every step of the process as an innovation for the internationalizing entity (Li, Li, and Dalgic 2004). The model focus entirely on the export development process, particularly for SMEs, being characterized by three generic stages: Pre-engagement, Initial and Advanced export (Ruzzier, Hisrich, and Antoncic 2006). Despite considering a progressive involvement of the firm the I-Model explains internationalization as an even more incremental process, involving an innovative decision process in which new approaches of doing business are embraced; it is determined by countless firm-specific and managerial factors, and depends on internationalization degree of firms (Oliveira 2011). These stage approaches although considerably enlightening, they do not explain the rapid international development of some SMEs, allowing the rise of other approaches like Network and IE perspectives. The Network/Relational perspective, was built upon the U-Model (J. Johanson et al. 1988). The model depicts the market as a web of networks and considers the firm as an actor in a multinational

[6] Psychic Distance was defined "*as the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business practices, culture, and industrial development*." (Jan Johanson and Vahlne 1977).

structure of intra and inter-organizational long-term relationships (multilateral network). Relations are seen as trust and commitment-building, knowledge creation and accumulation systems. A company relies upon the resources controlled by the players embedded in a particular network, being only able to access it (intangible asset) by expanding its position in the network to a relevant one, implying time and resources commitment – *liability of outsidership* (Jan Johanson and Vahlne 2009). Internationalization is pictured to develop once the company starts establishing bonds with firms from business networks in foreign countries, which eventually will act as a catwalk to new markets (M. Johanson and Kao T. 2010). The IE perspective is the confluence between entrepreneurship and international business research streams (McDougall, P.P. and Oviatt 2000). This model emerged due to identification of small, high-tech companies which internationalization steps diverted from the traditionally proposed: the Born Globals. These firm types start internationalizing from the beginning, surpassing 25% of export share in the first three years of existence; and they generally do not follow an incremental internationalization (Sandberg 2012). Internationalization depends deeply on entrepreneur's attributes, experience and network of relations; he is a proactive actor, regarded as the fundamental engine of a company's value creation and internationalization. However, IE is considered too holistic; not giving enough attention to the structure and interactions within networks, and overlooking mature SMEs as potential innovators (Slotte-Kock and Coviello 2010). Finally, RBV has been growingly employed to explain internationalization of SMEs (Sandberg 2012; Saeedi, Dadfar, and Brege 2012; Ruzzier, Hisrich, and Antoncic 2006). It is emerging based on existing models, as an holistic but precise dynamic capabilities/resources-based theory of the firm (Ruzzier, Hisrich, and Antoncic 2006). RBV was built upon business strategy and the theory of growth of the firm (Penrose 1959). This model perceives not only the significant role of singular costly-to-copy knowledge-based resources in granting a sustainable competitive advantage, but aim on the dynamic competence of organizational learning needed for new resources development, and adjustment (within the firm, and between firm and surroundings) in response to internal/external stimulations (Ahokangas 1998). Firms may seek distinct internationalization strategies, with distinct international activities across time (Ruzzier, Hisrich, and Antoncic 2006). However RBV is regarded by some scholars as static, not enough to explain internationalization processes. Indeed, one should be aware that this economic perspective, once originally developed in leading economy contexts, like stage and network perspectives, sometimes alone do not precisely apply to SMEs internationalisation process (Sandberg 2012).

Having in mind the turn of internationalization events regarding Atral, there is no single model that suits the pattern at hands. Due to the internationalization from inception, with firm's rapid growth driven by founder's visionary and entrepreneurial skills, allied with the solid and wide network in which Atral is inserted (which has strongly determined expansion abroad), the Network Approach together with IE seem to be the most suitable models to explain the initial developments of Atral's internationalization. The model of resource adjustment is thought to explain firm's mature stage and present internationalization – adaptation to generics market invasion by developing or improving new competences, such as significant focus in contract manufacturing (flexibility) and enhancing its global network.

Company Overview

National and International Involvement

Atral began operations in 1947. Exportations began in 1949, first to Africa and Middle East, and then North and South Americas.

Nowadays, with 212 employees, the firm devotes itself to the production of branded generics[7] and, as a domestic precursor in antibiotics, it keeps on this important therapeutic area, the main axis of its development. All firm patents have expired and no research on innovative products is done. However, Atral constantly monitors the market to identify diversified products whose patent is going to expire, not only to recreate it, but also redevelop its production to minimize costs, and/or develop new dosage and administration forms to introduce in the market. Licensing out (2.5% of the €21.9 mn turnover expected for 2015) as well as contract development and manufacturing

[7] Branded generics are: 1) novel dosage or potency forms of off-patent medicines that were not developed by the firm marketing the original drug; or 2) a generic drug (knockoff of a branded drug after all patents on the drug had expired) to which was given a trade name.

services (6.0% of 2015 turnover) comprise the other areas of activity. The firm continues to be inserted in countless markets over the globe, commercializing and exporting products for more than 20 countries worldwide: mainly to Venezuela (52.2%[8]), Peru (17.9%[7]), Iraq (4.8%[7]), Dominican Republic (4.4%[7]), Angola (4.2%[7]), Libya (3.6%[7]), Lebanon (3.2%[7]), and Israel (3.2%[7]) (Appendix I (b)). Exports contributed 39% to 2015 turnover, from which 80% are Atral's own brand anti-infectives[9], and 7.0% correspond to contract manufacturing. The firm has seen its turnover slightly decrease over the last 4 years in contrast to a growth in export sales (Appendix 1 (b)).

In Portugal, Atral's main market (61% of 2015 turnover), the firm holds an exemplar reputation being one of the most recognized national born brands (a stable market share in value of 0.78% (0.86% in units) against 4.19% of Bial, or 5.81% of the largest player, MSD). It relies in a 30 people commercial team that works near physicians, pharmacies and hospitals. Indeed the economies of learning generated by Atral over time, allows it to supply quality products at competitive prices (cost-effectiveness strategy). As part of an integrated Pharmaceutical Group performing both upstream and downstream activities on the pharmaceutical value chain (including commercialization) addressing the whole industry, Atral is endowed with a levered global market knowledge and network, thanks to generated synergies.

Atral's domestic business model builds upon working its own brand; internationally it builds upon the in-licensing of products (36% of sales) and own brand working (64% of sales). The firm directs itself to the association of a powerful presence in regulated niche markets (non-strategic for big innovative and generic multinationals, and endowed usually with higher growths), with a high cost-effective commercial portfolio.

Vision, Mission and Values

Without a consolidated vision, Atral's main mission is "to develop, produce and commercialize finished, health and well-being products that contribute to life quality improvement", complying

[8] Average sales value from Dec. 2011 until September 2015.

[9] Pharmaceuticals that can destroy an infectious agent or inhibit it from spreading. They comprise antibiotics and antibacterials, antifungals, antivirals and antiprotozoals.

with its values: Commitment to its human capital, shareholders, customers and community in which it operates; Compliance with legislations; Respect for the final costumer, their health and well-being (Humanism); Persistence in finding sustainable health solutions; Environment Conscience; Integrity; Resilience and Stability.

Strategic Objectives

The firm expects to considerably increase by 15% its 2015 expected turnover of €21.9 mn already in 2016, by 1) domestically launching three new products and re-launching others; and 2) by internationally registering, launching and re-launching 20 products in Latin America (LA), Middle East and Africa (aggregated potential of €17.2 mn), until 2018. Moreover Atral wants to increase contract manufacturing weight on turnover.

The firm also acknowledges the need to establish positions in strategic markets and its presence in emerging ones, thus: 1) it targets a growth of 61.1% on its own brand exports, from a value of €5.3 mn to a value of €8.5 mn in 2017; 2) the reduction of its dependence on Venezuelan public market; 3) diversification of target countries (penetration of Asian countries: Macau and Taiwan); 4) attain a domestically equivalent market share in CA region (0.78%) until 2017. Since financial stability is a key factor for Atral's continued expansion, finding new investors or strategic partners is of utmost priority.

Target Market and Portfolio

Atral's direct customers comprise pharmacies and parapharmacies (ambulatory market) and hospitals (hospital market), and also government (reimbursements and social coverage) and private insurance firms (private coverage). However it also has the indirect customers, from whom it cannot forget: physicians, and patients who need medicines inserted in Table 1 therapeutic classes (market segments). In a portfolio with 60 different main products, 22 are anti-infectives and belong to classes 3), 4) and 7). Regarding services, Atral mainly provides contract development and manufacturing services that comprises planning, production, packaging and logistics of finalized drugs for other firms (6.0% of turnover 2015, and 7.0% of exports).

Table 1. Therapeutical Classes (market segments) explored by Atral. Sales denote value sales (€).

Therapeutical class	Sales	Contribution to Total Sales	Relative Market share per segment
1) Nootropics	4,551,320	21.7%	48.6%
2) Cerebral and peripheral vascular therapeuticals	3,447,919	16.5%	13.6%
3) Broad-spectrum penicillins	2,520,893	12.0%	9.6%
4) Narrow-to-medium spectrum penicillins	1,337,007	6.4%	33.5%
5) Antinauseants;	1,195,489	5.7%	9.1%
6) Anxiolytics	1,145,394	5.5%	2.0%
7) Cephalosporins	1,055,106	5.0%	13.7%
8) Antidepressants and mood stabilizers	969,970	4.6%	1.0%
9) Throat preparations (decongestants)	845,724	4.0%	3.7%
10) Expectorants	842,164	4.0%	3.6%

Competitors

Present in so many and so diverse markets, Atral faces several competitors in the branded-generics market (direct competition) nationally and worldwide, depending on the therapeutic class concerned. However non-branded generics are a considerably dangerous indirect competitor (margins). Appendix I (b) Table 1 shows firm domestic competitors per relevant therapeutic class.

Competitive Advantage

In an increasingly globalized economic structure Atral stands out from its competition mainly through the combination of: (1) its historic/reliable "Made in Portugal" label that grants it with domestic and international reputation, levered by Atral's brand association with antibiotics and integration in a chemical-pharmaceutical Group; (2) its global market experiential knowledge and awareness together with its (3) unique and growing network of strategic alliances and (4) local governments relationships, granting Atral a surprising capability to penetrate poorly accessible markets; (5) learning economies, granting its ability to rapidly introduce products in the market (early and constant thorough market search on the potentially most profitable drugs to re/introduce in the market, generally with some added value (e.g. easier administration process, healthy booster additives). Due to the intangibility character of Atral main resources, it can be assumed that they hold value, scarcity, are hard to imitate and transfer. However, the increasing market atomization, evolution of physicians and growing intervening role of patients promotes an easier substitutability of pharmaceutical products. Moreover the low professionalization of Atral undermines the firm embeddedness of some resources, confining its exploitation. Thus one can argue that Atral has a temporary, not a sustainable competitive advantage (Appendix I (b) Table 5).

Overall Analysis

Atral has established over the years a broad customer base being able to generate still today a strong brand awareness, granting its present reputation in domestic and international markets. However, combined with Europe's Economic crisis and austerity of last years, the lack of alignment between firm elements has been responsible for the slight decrease in firm's income, and growth. Thus, the high potential organizational resources platform should be leveraged to capitalize on a much higher profitability for the firm. Indeed the domestic market is saturated and the continuous quest to enter new and niche-specific markets is alluring to boost sales, to reduce its reliance on domestic sales, and maybe attain scale economies.

Context Overview

The Pharmaceutical Industry

The World Global Pharmaceutical Industry[10] (Pharma) is characterized by high profit margins (up to 42% for innovative drugs[11] (Anderson 2014)) and profitability exceeding costs. The industry is worth $990 bn (5% CAGR) (CPhI 2014) and it is estimated to range about $1.3 tn by 2018 (4-7% CAGR). This raise is explained by overlap between population increase and aging, enhanced accessibility to medicines in pharmerging markets, and launch of new specialty drugs. Regarding global generics market – where competition is mainly based on production costs (price), economies of scale and ability to litigate intricate patent issues – it was worth $168 bn in 2013, and it is estimated to value $283 bn by 2018 (at a 11% CAGR, despite its global price increase (Forbes 2015; Deloitte 2014)). This market will continue to be the main driver of Pharma global growth, primarily in pharmerging countries[12] (83% of growth accounted by non-brand generics) (IMS 2014a).

[10] World Global Pharmaceutical Industry comprises the generic and innovative medicines (on patent drugs) markets.

[11] Generic drugs (more precisely branded generics) are the ones with the highest profit margins compared to innovator drugs. Yet, total profits on the later are higher than the former, as firms retain exclusivity for a certain time span upon medicine approval.

[12] The **first tier** is composed by China (with a forecasted market size of $170-185 bn and accounting for 15% of global market in 2017; CAGR of 16.7% forecast in 2012-2017); the **second tier** is composed by Brasil (CAGR of 12.7% in 2012-2017), India (CAGR of 12.5% in 2012-2017), Russia (10.1% CAGR in 2012-2017), all together with a forecasted market size of $91-99 bn and accounting for 8% of global market in 2017. The **third tier** of pharmerging countries comprise: countries with 2012 sales over $85/capita: Poland, Argentina, Turkey, Mexico, Venezuela, Romania, Saudi Arabia and Colombia (all together will present 9% CAGR in 2012-2017 and a joint market size of $82bn in 2017); and Countries with 2012 sales under $85/capita: Vietnam, South Africa, Algeria, Thailand, Indonesia, Egypt, Pakistan, Nigeria and Ukraine. (all together will present 11% CAGR in 2012-2017 and a joint market size of $45 bn in 2017) (Davidson 2012; IMS 2013).

Regardless of countless mergings/acquisitions, global Pharma is still an atomized industry (an oligopoly) since none of the top 20 drug producers (Novartis, Pfizer, Sanofi, Roche, and MSD are the top 5 MNEs in value (IMS 2014b)) have a share larger than 9%, despite together owing almost 60% of global share (Mehralian and Shabaninejad 2014). Pharmaceutical firms presently spend one-third of total revenue on drugs marketing - twice their R&D outlay. After attaining $162 bn, R&D expenditure is predicted to raise at 2.4% CAGR a year in 2015-2020 (EvaluatePharma 2014). Generics firms do not spend much in R&D allowing drugs to be 80%-85% less costly than original counterparts (Tippie and Cui 2014).

Trends

Several trends are changing firms' operating context, and thus urging refinements on all supply chain: (1) shorter product lifecycles; (2) new healthcare delivery modes; (3) stronger regulation; (4) growing technology availability that may take over dispensing and supply, diminishing pharmacists involvement (e.g. robotics) (PME 2014); (5) parallel trade due to further industry atomization (efpia 2014); (6) trend toward prevention (pwc 2011); (7) growing of biosimilars spending (18% share in 2013 to 19-20% by 2017); (8) threat of biopharmaceuticals to displace traditional medications (IMS 2014a; PME 2014) (see also **Figure 1** and **2**) . Aiming to surpass economy's quiescence and financial instability taking place in highly developed economies, a climbing trend for investment in pharmerging markets is a reality.

Key Success Factors on Branded Generics

To thrive in the market brand-generics firms have to: (1) good relationship with local governments and players; (2) retain local talent to scout remote areas with multi-channel engagement; (3) production costs; (4) continually search for the next value-added medicine, (5) detain a strong portfolio marketing; and (6) maximize contracting capabilities (Gilbert, Ural, and Lopez 2012).

Michael Porter's Forces Model

This framework allows the analysis of the seven fundamental forces that interacting with one another outline industry's profit attractiveness. It is broadly applied in industry structure analysis and constitute a convenient tool for firms penetrating new markets. Forces analysis is summed up in **Figure 1** (Appendix II for clarification).

Despite firms recurrent cooperation, rivalry intensity of Pharma industry being still fairly high: due to the moderate threat of new penetrating firms (patents protection but not so high R&D expenses), the moderate bargaining power of customers, the somewhat moderate bargaining power of suppliers (atomized market), and the moderately high substitutability of pharmaceutical products (OTC and generics). The regulatory force influences the industry rivalry by granting some benefits to firms researching in priority areas. The Complements force is one that as a strong influencer of firms' success, it should be explored appropriately.

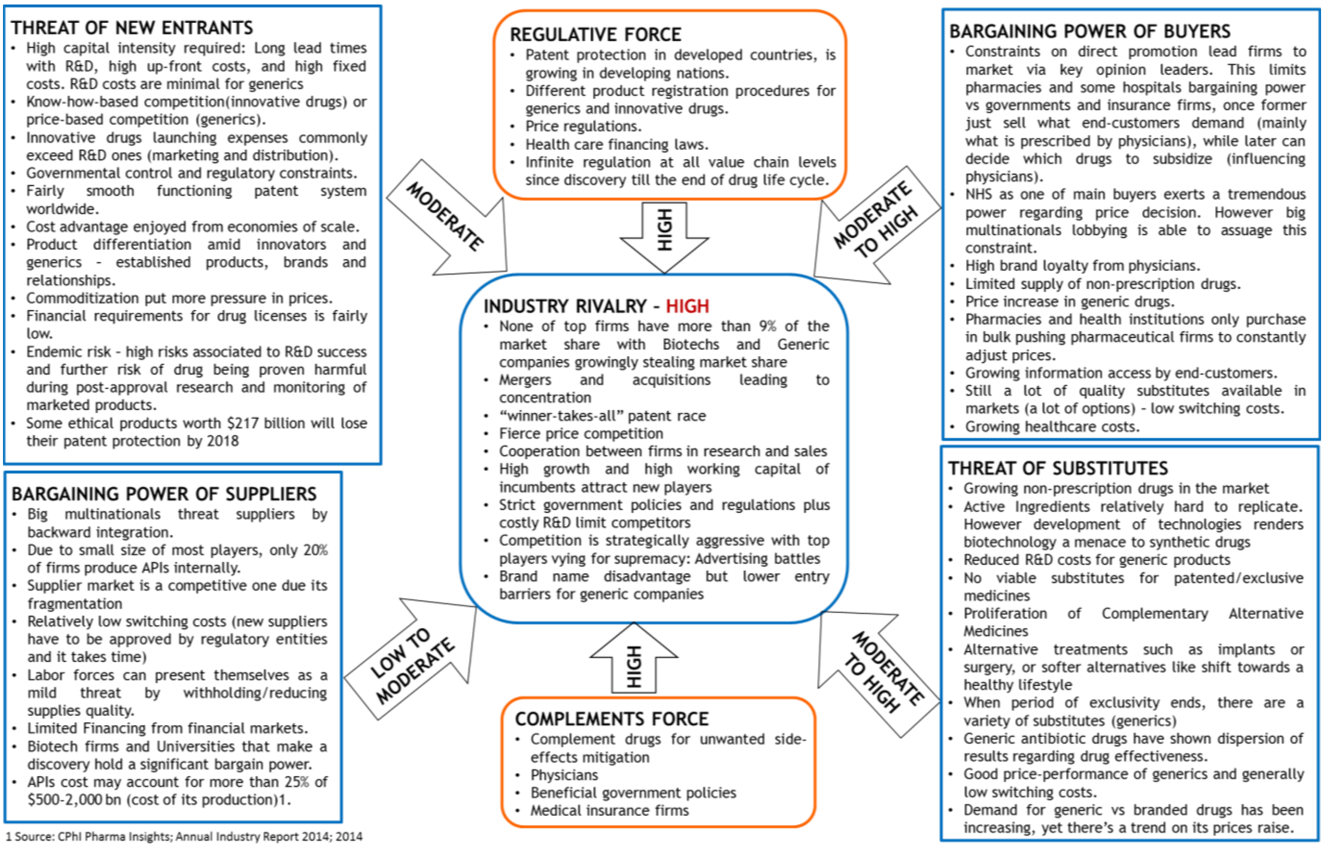

Figure 1 – Michael Porter Analysis. The Regulatory force, specific from this market, is also analysed. Each of the forces power change between industries and within an industry over time. API-active pharmaceutical ingredient.

SWOT-TOWS Analysis

The SWOT analysis, as a primary step towards internationalization of a firm, allows the evaluation of its intrinsic capabilities and external context. Then, together with a matching systematic analysis

(TOWS matrix), it is possible to develop a solid strategy (**Figure 2**). Atral should, focus on neutralizing its weaknesses and threats in order to achieve a sustainable competitive advantage. This should be done by improvement of strengths and by taking maximum advantage in market opportunities. The firm should continue to focus in the search of new markets and reinforcement of its brand equity, mainly abroad.

INTERNAL FACTORS / EXTERNAL FACTORS	**Strengths**	**Weaknesses**
	1. Strong Brand awareness and high notoriety among domestic physicians – brand equity 2. Domestic and International reputation (LA and ME). 3. Extended domestic and international know-how/expertise, mainly in LA 4. Strong Network of relations and corporate partners domestically and around the world 5. Diversified portfolio 6. Economies of learning regarding antibiotics. 7. Financial Management - deal with limited capital budgets 8. Opportunity to produce for others: excess capacity, product development competences 9. Belongs to a Chemical/Pharmaceutical Group	1. People management (Lack of professionalization in the last 20 years allied to centralization of decisions – undermines corporate culture) 2. Old portfolio, mainly in acute therapeutic areas 3. Dimension (poor investment capacity) 4. Old technological infrastructure 5. Poor notoriety among consumers 6. High operational costs (Portugal as production placement) 7. Low brand awareness among patients
Opportunities 1. Pharbal sales subsidiary, in Peru, as pinnacle of success 2. Increased concern for efficiency and effectiveness 3. Europe is recovering from economic and financial crisis 4. Growing of generics prices 5. Expansion of self-medication sector 6. Doctors' and patients global use of digital resources has been rising substantially 7. Generalized focus on chronical diseases vis-à-vis antibiotics neglect 8. Atral currently does not export to but holds AIMs in CA, Kazakhstan, Azerbaijan, Israel, Lebanon and Taiwan 9. Pharmaceuticals and healthcare services supply chains are converging towards full integration. 10. Diminishing NHS resources may imply that community-based pharmacists will do much more for patients.	**S/O Strategies** • Expand Peru operations as sales controller of LA by transforming Pharbal in a competency center. • Further develop network of relations in order to develop contract manufacturing, and agree on new strategic partnerships • Build a service-oriented supply chain to improve brands and differentiate from rivals • Internationalize to CA • Focus on OTC portfolio widening • Focus on expansion of Contract Manufacturing towards its increased contribution to turnover • Strengthen relations among network of pharmacies	**W/O Strategies** • Integrate and develop mHealth and digital elements in its marketing mix (interface technologies) – diversification of multichannel efforts in order to create brand awareness among patients • Develop new strategic partnerships • Introduce some fresh blood in sales team, mainly to address new customers and complements habits (e.g. Technology embedment in daily lives) • Improve board governance standards beyond the level of any industry competitor, to the best practice levels seen in general industry, to improve and consolidate corporate culture
Threats 1. High rivalry market 2. Competition focused on price over value creation to patients 3. Currency fluctuations disturb international projects 4. Growing stringency of regulation over quality and price 5. Rise of health care costs 6. Moderately high threat of substitutes (generics) 7. Pharmerging Markets as spotlight markets for big MNCs 8. Growing control over consumed medicines, by patients 9. OTCs and food supplements differentiation 10. Trend towards prevention 11. Drug slower payback periods	**T/S Strategies** • Focus internationalization in smaller markets, non-penetrated by generics and where local markets are underdeveloped. • Find and invest in creating long-term trust relationships with strategic partners • Implement a differentiation strategy focused on wealth creation rather than cost-effectiveness in markets not penetrated by generic companies • Focus on OTC portfolio widening, using its IRR to prioritise and rationalise the portfolio	**T/W Strategies** • Focus in niche markets in pharmerging regions (such as, Algeria; Russia, CIS; sub-Saharan Africa) • Focus on cost-effectiveness • Build and invest on strategies for VIDA brand equity among end-consumers by growing an intimate understanding of patients (participating in online patient communities/social networks, giving patients a forum in which to provide feedback or exploring own apps and QR barcodes)

Figure 2 – SWOT-TOWS analysis. CA- Central America; LA – Latin America; ME- Middle East; NHS-National Health System; AIM: Authorization for introduction in the market; OTC – non-prescription medicines; IRR – internal rate of return.

Country Selection

Why Central America

Atral already has an internationalization attitude embedded in its genetic code; always presenting a market-seeking behaviour towards pursue of market share, exploitation of network advantages (proactive strategy) and reinforcement of its financial status (proactive strategy). Atral has been aiming at markets where local industry is underdeveloped and with a pharmaceutical trade balance deficit, by answering to niche needs rather than parlaying in mass-market medicines.

CA was the selected region for the study due to: (1) competitors focus in pharmerging regions (McKinsey 2013); (2) underpenetration by branded generics (BMI 2014); (3) regulatory developments towards players selection (players with lower quality standards or no proof of bioequivalence. are forced to exit the market due to tighter regulation) - regional regulatory harmonization; (4) region's pharmaceutical trade balance deficit; (5) a 18.4% population growth in 2013-2023 to 52 million (against Portuguese population's 10.2 million in 2023); (6) a pharmaceutical market value of $3.84 bn in 2014 (slightly lower than the decreasing (-17.7%) $4.59 bn domestic one) forecasted to grow to $4.79 bn in 2018 with a 5.5% CAGR; (7) healthcare expenditure of $18.3bn in 2014 (7.2% CAGR) (slightly lower than the decreasing (-17.7%) $21.53 bn domestic one), and also an expected CAGR of 7.1% and a value of $24.1 bn till 2018, or a CAGR of 7.2% and a value of $34.3 bn till 2023 (due to longer life expectancy; increased access to, and quality of healthcare facilities; and expansion of healthcare coverage) (BMI 2014; INE 2009; BMI 2015) (Appendix IV); (8) an average out-of-pocket payment of 37.3% (24.9% in Portugal) (2001-2013) (World Bank 2015); (9) Atral have operated in the region for 50 years till 2005 (generics domestic penetration reduced firm resources to keep an, at the time, not profitable activity)[13]; (10) Pharbal in Peru as an opportunity to reinforce CA operations; and (10) export industry to these countries benefits from several international trade promoting agreements. Moreover there's a fair likelihood for long-term sustainability for branded generics in CA countries (McKinsey 2012; Zhu and Yang 2004). Additionally, the CA penetration, are likely to benefit Atral with early-mover advantages on this promising region.

However one has to be aware of some limitations of this region: the underdeveloped transportation infrastructure that undermines trade; the high predominance of counterfeit medicines; possible

[13] Atral's portfolio was obsolete and its structure was especially old, at the time. A re-structuration starts in 2006. But domestic hurdles leads to firm's exit by stopping promotion. However concomitant procurement for new drugs AIMs was done.

market penetration by Mexican and Brazilian firms; and finally the constrained accessibility to third-party investment for private firms (BMI 2014).

Scoring Model

Despite the dominance of the seven geographies together being the utmost aim (sixth greatest pharmaceutical market in LA (BMI 2014)), due to resources limitation it is not viable for Atral to approach all CA geographies simultaneously. In accordance with this constraint a tailored scoring model, based on international benchmarking indicators, was used to provide Atral with few insights into the most alluring markets into which internationalize one of its drugs. Statistical data on several macro and microeconomic variables and on some firm's particular metrics were employed and scored (from 0 to 5) upon normalization (Appendix V). Then weights were assigned to each indicator according to its relative relevance to the present study, the industry, and Atral's strategic objectives. Afterwards, the performance of individual CA nations is computed by multiplying the weights attributed to indicators by each countries criteria's score. In the end, nations are ranked again from 0 to 5 in accordance to their scores, which are used as proxies for individual country attractiveness (0 denotes the lowest and 5 the highest potential for internationalization).

Criteria

The macro indicators employed giving a general picture of each selected country socio-economic performance are discriminated on **Table 2**. Also micro indictors were used, once they allow the portrayal of a countries' general business industry as a whole, and also more specifically, its healthcare and pharmaceutical industries, that synergistically and proportionately depend on each other. Firm-specific indicators were also used to assess the potential of the selected market nations, once these variables reflect the firm's knowledge about the market, local brand awareness and easiness on penetrating each market (network of business contacts and potential local partners). The variables selected for the analysis and the reasoning for their choice are discriminated on **Table 3**.

Table 2 – Scoring Model Macroeconomic Indicators. For more detail go to Appendix V.

Criteria	Indicator	Reasoning	Weight (%)
Macroeconometric Indicators (20% total aggreagated weight)	GDP*	As an aggregate measure of a nation's economic production, mirroring its relative performance. An increase indicates growth in the economy and tends to be translated in an increment in productivity. Its growth mirrors the percent change in the level of economic activity for the last 15 years and the next 3.	6.5
	Population able to afford basic goods*	It defines the share of population that cannot afford to buy a basic basket of goods. It influences pricing strategy, margins, and purchasing power of a population share.	3.4
	Corruption Perception Index Rank	Low scores evidence widespread bribery, lack of punishment for corruption, and public institutions that don't respond to citizens' needs, jeopardizing private businesses.	0.7
	Inflation Rate	In case of idle labor forces/resources inflation should help raise production, due to more aggregated demand. However, inflation can wipe away value of savings, driving individuals to engage in riskier investments to manage wealth. Deposit interest rate should be always higher than inflation.	2.4
	Trade Balance	It measures economy's health and its relationship with the whole world, its dependency from outside. If negative signals a rise in exports, and that foreign firms who export there are increasing sales. If negative, and lending interest rate (%) is high, it is attractive for external firms exporting to there.	0.9
	Exchange rate	This rate is one of the top factors used to distinguish the health of a nation's economy. It mirrors the returns the Euro-countries have towards each country's currency.	2.0
	Country's population*	It mirrors the total potential market, thus denotes the breadth of potential pharmaceutical market. Its growth reflect potencial market growth.	3.1
	Logistics Performance Index	It constitutes the perception of a country's quality of trade and transport related infrastructures. Scores are averaged across all respondents. Thus, insights on the distribution channels quality can be obtained.	1.0

***GDP** includes: GDP per capita (1,7%), GDP Average Growth (2.2%), Index of Economic Freedom (2.6%); **Population able to afford basic goods** includes: Unemployment rate (1.7%) and Population Below Poverty Line (1.7%); **Country's Population** includes: Country's Population (0.7%); Population Growth (2.4%)

Table 3 – Scoring Model Microeconomic Indicators. For more detail go to Appendix V.

Criteria	Indicator	Reasoning	Weight (%)
Microeconometric Indicators (80% total aggreagated weight)	**Business indicators (13.5% weight)**		
	Ease of Doing Business Rank*	Appropriate to access whether a nation's regulatory context is or is not friendly to business operations	7.1
	Pharmaceutical Risk/Reward Ratings	A ratio used to compare the expected returns of an investment to the amount of risk undertaken to capture these returns. It provides a globally comparative and numerically based assessment of drug market attractiveness.	6.0
	Health Care Industry (11.3% weight)		
	Health Expenditure*	Once covering the expenditure on preventive and curative health services, it influences the spend on drugs. Its growth reflects the percent change in the health funding level in the last 6 years and next three. This indicator includes out-of-pocket outlay, i.e. percentage of burden amount that is hold by population; and public expenditure, giving insights regarding the potential of health public or private markets. The lower the amount, generally higher the healthcare sales per capita once more people can afford treatment.	8.4
	Number of health workers*	Indicator of health service infrastructure. Availability of health workers mirrors a country's health system resources status. Low densities usually suggest inadequate capacity to meet minimum coverage of essential services. In case of physicians number, it mirrors the scope of prescription.	2.9
	Pharmaceutical Industry (17.4% weight)		
	Pharmaceutical Sales*	This indicator allows a estimation of the size of a nation's pharmaceutical market. Its growth reflects the percent change in pharmaceuticals purchasing in the last 6 years and next three	7.4
	Drug outlay share on health	It allow a reliable estimation of the prospective growth of a nation's pharmaceutical market.	2.6
	Pharmaceutical Trade Balance*	It mirrors a country relationship with the world pharmaceutical industry - dependency from outside. If negative signals a grow in drug exports, and that companies who export are increasing its sales in that country. Its growth mirrors the direction and allows an estimation of the amount of a country's dependency from outside. If positive it can be good if APIs' companies arise and grow leading to more potential partnerships with local firms.	7.4
	Demand (14.8% weight)		
	Insured Population	The higher the share of population with insurance plans the higher the access to health and thus the greater will be the consumption of medicine, once more people can afford them.	2.3
	Population Lacking Access to Public Health System	This share influences the potential market value, by limiting it. It also gives a roughly idea of the scope of evolution in market values upon a country health system development.	5.0
	Total Number of potential institutional buyers*	An indicator of health service infrastructure. It comprises potential direct buyers. Majority of Atral's portfolio focuses on (is more adequate for) the private market. Indeed it is more attractive once margins can be larger.	7.5
	Company-Specific (23.0% weight)		
	Number of Years in the Market	It mirrors a firm's notoriety, scope of network of contacts, and specific market knowledge. Selecting a market with which Atral has no previous contact could represent a significant risk for the firm.	13.0
	Number of Branded Registered Products	It mirrors regulatory and bureaucracy knowledge, and notoriety among regulators which implies a potential increase in easiness on registering new products.	10.0

***Ease of Doing Business Rank** includes: Getting Credit (1.8%), Starting a Business (0.9%), Enforcing Contracts (1.2%), Trading Across Borders (1.8%), Paying Taxes (1.8%); **Health Expenditure** includes: Health Expenditure per Capita (2.6%), Health Expenditure Average Growth (2.0%), Out-of-Pocket Health Expenditure(2.2%), Public health Expenditure (1.6%); **Numero of health workers** includes: Number of Pharmacists (0.4%); Physicians per 1000 people (1.9%); Hospital beds per 1000 people (0.6%); **Pharmaceutical Sales** include Pharmaceutical Industry turnover (3.9%) and Pharmaceutical Sales Growth (3.5%); **Pharmaceutical Trade Balance** includes: Packed DrugsTrade Balance (4.2%) and Global Pharmaceutical Trade Balance Average Growth (3.2%); **Total Number of potential institutional buyers** includes Total Number Healthcare Facilities (3.5%) and authorized pharmacies (4.0%).

Results

After quantitatively analyzing each country, a table ranking the selected geographical markets was generated in line with their attractiveness degree for Atral's internationalization. This ranking table acts as a sound basis for decision-making respecting the regional market strategic goals of the firm; it pictures the chronological order for CA market entry that should be followed in the region for the top three countries, the remaining ones have to be subject to a future analysis. The most appealing nation for Atral's market entry seems to be Panama (3.70/5), trailed by Costa Rica (2.98/5) and El Salvador (2.95/5). Belize seems to be the more risky market to address at the moment, taking into account the present socio-economic situation in the country and Atral's presence there (**Figure 3**).

Country	Rank
Panama	3.70
Costa Rica	2.98
El Salvador	2.95
Guatemala	2.82
Honduras	2.41
Nicaragua	2.22
Belize	1.04

Figure 3 – Ranking of CA Countries for firm internationalization (1 for lowest and 5 to a highest potential).

Selected Country - Panama

Country General Portrayal

Republic of Panama has 3.909 million people (growing at 1.6% in 2014) and is strategically located in the bottom of the narrow isthmus of CA. It is northerly surrounded by Caribbean Sea, southerly by North Pacific Ocean, easterly by Republic of Colombia, and westerly by Republic of Costa Rica (Appendix VI).

Until October 2015, Panama registered a GDP of $47.473 bn, and it is forecasted to attain a GDP of $71.679 bn in 2020 (due to end of Panama's Canal enlargement and several celebrations of free trade agreements) (IMF 2015). Following several structural reforms, and country's takeover of Panama Canal in 1999, Panama turned into one of the most dynamic economies worldwide, with one of the fastest growth rates (GDP average growth of 8.2% in 2004-2014) and the greatest poverty and inequality drops, in LA. In addition, the country performed rather strongly in the global financial crisis, registering a 4.0% growth in 2009 while most of regional nations endured a recession. Indeed, country's economy even gained a new impetus, registering growth rates of 10.8% in 2011 and 10.2% in 2012 (Cerdeiro and Yang 2015; FocusEconomics 2015).

Panama trails Chile in regional rankings regarding Global Competitiveness Index, persisting as the most competitive economy in CA. The skill deficiency is regarded as a concern, once it endangers country's progress towards more knowledge-intensive activities. Nevertheless, general infrastructure is commendable, with some of the world's best port and airport facilities.

PESTEL Analysis

Aiming at a constructive overview of Panama, and inspection of the critical factors shaping the industry and affecting operating firms, a PESTEL analysis (Appendix VII) was carried out (**Figure 4**). As a key constituent of strategic management it may be especially valuable for firms looking for new opportunities, launching commodity products/services, or approaching new markets.

P

- Unitary Republic - Constitutional democracy
- Unicameral Legislature
- Political-administratively broken in 9 provinces and 3 indigenous territories with provincial status. The provincial governments are essentially administrative subdivisions, but municipal governments are autonomous political institutions closely tied to the national government.
- Now with the majority of seats in the National Assembly a political stability has been assured.

E

- Panama's economy based on a large, well-developed, and diversified services sector (it accounts for 75.09% of GDP; followed by the industry sector that accounts for 19.8%)
- Country's varied service-oriented sectors and considerable public investment will persist to foster growth across the economy.
- Fully-dollarized free market economy with a history of low inflation (3.12% in 2001-2014 period)
- Average unemployment rate of 5.27% in 2007-2013 period
- A GDP per capita of 11,147.3 US$ growing at 6.2% in 2014 is expected to raise to 13,468.0 US$ in 2017 but at a growth rate of 5.0%.
- A far negative Trade Balance of ($5.367 bn) in the period of 2001-2014, that expected to increase.
- Panama Canal is one sole hub that taps into the various international commercial, financial, and production networks synergistically connecting them.

S

- In 2014, total population amounted 3.909 million, in which 50.2% of population were men. In the same year, total population grown at 1.6%.
- Population older than 65 and younger than 15 years old accounted for 6.46% and 27.5% of total population, respectively in 2014. Hinting that a still very young country is growing old.
- Life expectancy of 77 years old and a healthy life expectancy at birth of 67, in 2013. The infant mortality rate was estimated to be 10.41 deaths per 1,000 live births.
- Average literacy rate among people over 15 years old was 94.1% of this population segment in the 2009-2014.
- Despite poverty headcount ratio at $3.10 a day of 8.0% of population (in 2011), this indicator at national poverty lines was 25.8%, and the GINI index was 51.7.
- Human development index is 0.765/1
- World's happiest country in 2014-2015, with 53% population thriving in at least 3 aspects of their well-being.

T

- In 2001-2014, the average number of mobile cellular subscriptions per 100 people was 132.48 (a penetration of approximately 200%)
- Mobile broadband penetration is 14.5%, slightly under world average (15.7%), and total subscriptions of fixed telephone lines are just 14 per 100 people - a penetration of 7.9% that is comparable to the world average (8.5%), and larger than overall broadband penetration rate in LA (7.3%).
- Internet penetration of 43.5%.
- Ranks 43/148 in the Network readiness index (4.4/7).
- Gross Expenditure in R&D was 0.2% of GDP in 2010, fairly below OECD average of 2.4%, prioritizing environmental R&D.
- There are 117 airports (2013) and 3 heliports. Total rail lines route have just 77 km (country in 129th out of 136 nations) and just 37.67% of total roads (15,137 km) are paved (granting it a position of 122/223 in world ranking).

E

- Panama's place in Environmental Performance Index ranking is 58 out of 178 countries (a score of 56.84 in 100.00). Change in forest cover is the most concerning indicator (14.35/100.00 and a place of 107th/178 countries) with no growth over the last 10 years. Agriculture is the indicator closest to the target (96/100 and a place of 1st/178) with a growth of 14.29% in the last 10 years.
- Panama adopted its Environment Act (Law 41) on 1998 as the general regulatory framework for the country's environmental management. In 2005 Law 5 added environmental offenses to the Criminal Code.
- The Environment Ministry was created in 2015.

L

- The top rate of personal income tax in Panama stands at 25% since 2010, and is foreseen to continue at 25% the next following years. It is based on a simple sliding scale, with a minimum of 0% after the first $11,000, 15% over an income of 11,000-50,000 US$ and 25% over incomes higher than $50,000, being only applied to Panamanian-sourced income.
- The amount of social security taxes paid by employees is 9% of their gross income; the other 12% is financed by the employer.
- Corporate tax remains at 25%, it is forecasted to continue unchanged in 2016

Figure 4 – PESTEL analysis.

To analyse Panama's culture resemblance with Portuguese one, the Hofstede's six cultural dimensions model was used (Appendix VIII). They are culturally very similar (dimensions vary in ±10 points) differing only in the distance power dimension (±32 points). Regarding this dimension Panama's score mirrors a much more hierarchical society, that in an organization expresses inherent inequalities (high distance between blue and white-collar); centralization is favoured, subordinates expect to be forwarded to their tasks, and the ideal boss is a benevolent autocrat (itim 2015).

Pharmaceutical Industry in Panama

Market size and Growth

Drug sales registered $0.63 bn in 2014 ($3.84 bn in CA), from which more than 49.2% are from private market (BMI 2014; Hernandéz 2015); and is believed to be $0.82 bn in 2018. The average per capita spending is estimated to be $161.192 in 2010-2018. This raise is mainly due to a rise in healthcare public and private (mainly medical tourism) outlays (Appendix IX). Atral therapeutic classes with higher sales are Expectorants ($4.3 mn), Anxiolytics ($1.9 mn), and Cephalosporins ($1.5mn), being its total market worth $10.9 mn (1.5 mn units) in 2010-2014 (IMS 2015).

Competition

The low positive pharmaceutical trade balance deficit reflects a small local pharmaceutical industry (10% market share) (Hernandéz 2015). Regarding generics, in 2010, they all accounted for just 10% of share value against 19.1% in Portugal (Valdés 2012; Vogler and Zimmermann 2012). In 2014, non-branded generics accounted for 7% of sales (Hernandéz 2015) and branded ones 45% . The three players with highest market share are Abbott (8.1%), Pfizer (5.0%) and Sanofi (4.7%).

Prices and Distribution

There is a poor drug price regulation in Panama. Pharmaceutical prices are one of the main factors on buyers' decision. They are set by firms (according to the social costs of the society) but if they want their medicines reimbursed by the government prices have to be set according to drugs therapeutic value relative to similar ones already authorized and/or international reference prices. Regarding distribution, in contrast to the portuguese market, Panama is less conservative allowing direct sale and distribution to retailers (no pre-/wholesaler is required).

Trends

Branded generics firms are attracted by drugs Panamian market due to: (1) health/drugs access thanks to reforms a growing purchasing power; (2) growing drug imports (already 90% in 2014), and decrease of its low tariffs; (3) consolidation of public health sector (Embassy of India 2011); (4) raise on CPI for medical and pharmaceutical products (5.5% in 2013-2014 (Hernandéz 2015)); (5) trust and growing demand for branded generics; and (6) the highest Pharmaceutical Risk/Reward Rating (RRR) score in CA (45.2/100) (BMI 2014). Moreover, in 2010-2018, packed drugs (Atral style drugs) trade balance deficit is forecasted to grow negatively (i.e. imports are growing), generating an opportunity for foreign firms with a portfolio full of packed drugs to export (like Atral). However, pharmacy retail chains are starting to lead the market, which can be a problem due to an increase in its bargaining power. Moreover drug sales as a percentage of health outlay will just be 18.58% in 2010-2018, despite a health inaccessibility of 10% (World Bank 2015).

Entry Mode

Theoretical Background

The way a company approaches and penetrates a market has a tremendous impact on the success of its operations. In this sense, Atral shall make a thoughtful strategic decision regarding the entry mode to employ (mode for organizing its foreign business activities) considering some trade-offs: risks/returns and strategic flexibility/resources commitment. The correct entry mode should grant the alignment of firm's internal capabilities with goals and external context; and should be a strategic decision directed to the long-term (Hill, Hwang, and Kim 1990; Franklin 1994).

Roughly, market entry modes may be classified in: export, contractual, and investment entry modes. Export entry modes comprise direct export activities, in which the firm handles export and shall be in charge of building the entire operation (sales subsidiary operation, or distributors do promotion); and indirect export operations, in which the firm only handles production, and another one is in charge of driving the marketing and sales. Contractual entry modes comprise long-term non-equity deals with a local firm, generally involving transfer of intangible assets (licensing, franchising, turnkey contracts, management contracts) (Keillor 2011; Hill, Hwang, and Kim 1990). At last, investment entry modes (foreign direct investment) comprises an equity investment, and may take two forms: wholly owned subsidiary (the firm either purchases an incumbent - merger or acquisition

- or invests in a new operation via greenfield venture); and joint-ventures (firm enters along with another firm, both sharing risks and revenues) (Keillor 2011).

Each entry mode dictates the level of control over business activities, dissemination risk and resource commitment (Hill, Hwang, and Kim 1990), but also the fixed/variable costs, ROI, firm responsibility and market engagement.

Entry Mode Selection

The indirect export with outsourcing of distribution operations seems to be the most suitable entry mode, once Atral is able to hold a fair control over its operations, minimize dissemination risks and resources commitment (higher strategic flexibility), and to be fairly involved with the market to promote its own brand (in line with Atral's goals) (see **Table 4**). Market knowledge it holds in Panama will help strengthen success by this entry mode. A greenfield investment would be a plausible future step (mainly due to Panama's strategic location and Atral export to other LA countries), but having in mind the cost reduction focus of Atral, its financial status, and debilities the current time is not the right time for such an investment, a future analysis will be mandatory further in time when the time is right.

Table 4 – Scoring Model for entry mode choice, based on Atral goals. Most appropriate strategies are highlighted in green decreasing towards red. Each goal was scored and multiplied by its relevance/weight (%).

Goals	Weight	Startegic Alternatives					
		Indirect Export	Indirect Export (out-licencing with supplying)	Direct Export (via International distributer)	Pure Licencing (out-licencing and Tech Transfer)	Joint Venture	Greenfield
Short-Term Cash Flows	4%	3	3	3	3	2	1
Long-Term Profitability	15%	3	3	4	1	3	4
Higher Returns on Investment	14%	4	4	4	3	3	4
Cost Reduction	14%	5	5	3.5	5	2	1
Control	16%	1	0	5	1	3	5
Resources Commitment	9%	5	5	4	5	2	1
Dissemination Risk	18%	3	3	5	1	1	5
Market Involvement	10%	1	0	5	1	5	5
Total	100%						
Total Adjusted Score	5	3.08	2.82	4.33	2.28	2.57	3.63

Thus, taking also in consideration firm-specific factors, Panamian drug industry traits, Pharma-specific internationalization factors, and also country context, two different steps, not mutually exclusive (in time), are suggested on Atral's internationalization.

(1) A former one, foreseen to start during 2016, involves the selection of a distributor partner (maximum 6 months), concomitant with the approach of direct customers (mainly governments,

insurance companies; and pharmacies, to some extent), and also complements (physicians, mainly the opinion driver ones) to prepare them to once the contract with distributor is celebrated the demand from pharmacies is significant. This demand will be higher the higher the drug is prescribed, which in turn depends on the amount reimbursed by government or insurance firms.
As distribution starts (2) promotion should increase specially among doctors and pharmacies. Regarding the government Atral should involve itself and support government health initiatives in order to strengthen this relationship, and its image among end-consumers. Promotion should be especially strong in the first five years. Regarding the enhancement of firm's position in the network, the head of international department, with a fair knowledge of LA market should travel one time per month from headquarters to Panama City (1200€ - trip fares, business development expenses, accommodation and living outlays) to promote new partnerships and sales opportunities and provide guidance. Pharbal's employees (700€/trip) should also be sent in the promotion field to enlarge customers' base, raise brand equity; all in the second phase. However, Atral should also recruit a small team of three people from Panama to travel into the more remote areas, approaching pharmacies and doctors. A fair bonus remuneration scheme based on results should be employed to this team (costs €3000/month). Atral should also focus its efforts not only in the capital's province (Panama) - that holds around 50% of total country's population and the highest prices for a basic basket of drugs - but also in minor areas in order to conquer all population trust - future is there and trust has to be earn from the beginning (growth on population is being mainly driven by indigenous population). Exit costs are forecasted to be minimal once no equity investment is done; reputation costs may also be minimal if handled appropriately.

Export Risk Assessment

For the design of a strong implementation strategy, Atral has to have in mind Panama's strengths and opportunities (its strong economic growth; political and economic stability; fairly diversified economy; low unemployment; character as a hub of many networks, a "place to go", a valuable regional financial center, and a services hub (economy more resilient)). Country weaknesses and threats have also to be taken into account, such as market (future market size, growth rate and health) and financial risks (availability and cost of capital) due to country-specific risks: susceptibility of growth, trade, and financial markets to external forces, due to country's globally integrated economy; postponed reforms on financial transparency can limit country's accessibility to global capital and to the international payments system; qualified labour scarcity (two-thirds of the labor force without an upper secondary education); poor budgetary discipline; and legal system ineffectiveness). The other risks are: another financial risk, i.e. capital required from outside sources (depending on the declining Portuguese market and unstable markets like Syria or Lybia); currency risk (monetary unit is the Panamanian Balboa, traded at par value with the US$.); management risk (experience of Panama's hired team and its dynamics); Business risk (tighter regulations may develop in pharmaceuticals market; and margins may get narrower due to increased government role in drugs pricing and future increase in non-branded generics) technology risk (product substitution, since as a branded generic, the raise on non-branded may steel customers and complements) and competitive risk (future level of non-branded generics) (Appendix X).

Conclusions

The threat by big MNEs has driven Atral to concentrate its efforts on niche segments to minimize competition, and parlay on the diversification of business opportunities, to strengthen its brand position. However, domestic market hurdles have turned a proactive internationalization strategy into a more reactive one. In this work, the country selected for Atral's penetration was Panama. It presents an exemplar economic performance over the last and future years, as the best among CA countries and one of the best in LA; the highest human development index. Moreover it has the best Pharmaceutical RRR and the best suitability for doing business, among CA countries; and the title of world's happiest country for the last two years. Moreover countless healthcare reforms are being made, that together with economic growth will drive up pharmaceuticals access and consumption. It is also the country in which Atral still holds most of its CA's AIMs, meaning that it is not only easier to leverage its network, but also after conquering customers trust again a lot more products will be easily introduced in the market. Panama is just the first step of a whole new journey, in which by focusing in its solid introduction there the re-launching of the brand in the whole CA will have a whole new impetus. The model of resource adjustment is thought to explain firm's current internationalization, stating that Atral is reliant on the evolution potential of crucial internal and external resources that can be adjusted within the firm and between it and business context; recognizing Atral's network of relations importance. In this sense Atral's internationalization process will start the moment the firm starts approaching customers and complements from Panama's industry network, in a two stage process characterized by a distribution outsourcing.

The product that seems to be the most appropriate to start commercializing is BetamoxPlus in tablets and oral suspension (forecasted annual revenues of €1.5 mn for 500.000 units sold) once 312,137 people go to outpatient care with problems treated by BetamoxPlus (Ministerio de la Salud Panama 2014) - one of Atral's key products in Portugal (10% of sales in a 60 products portfolio). Moreover there is a globalized trend towards leaving antibiotics business to focus on chronic diseases.

Limitations and Further Research

The scoring model outcome is a valuable tool that acts as a sound basis for decision-making respecting a regional market penetration. However, a comprehensive appraisal on all selected markets regarding customer structure and competitive context (listing opportunities and challenges), should have been appropriate. Thus, although Costa Rica's macro situation being not that attractive as Panama's, several Pharma-related indicators suggest market specific potential: the highest position in Ease of Doing Business Rank, close position to Panama in the Pharmaceutical RRR (42 for Costa Rica versus 45.2 for Panama), and highest Health Expenditure per Capita, Public Health Outlay, Health Expenditure Average Growth, Pharmaceutical Industry Turnover and sales growth comparing to Panama (Appendix V). Moreover it has the 36th best NHS compared to US (the only CA country in this ranking)(Business Insider 2012). In this sense Costa Rica deserves a more thorough analysis despite the significant difference in values. A financial analysis on internationalization to Panama should be performed as a future analysis step to guarantee success. The analysis was constrained by the lack of information regarding branded generics for the targeted Central America region.

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